

Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSR

NUVEEN REAL ESTATE INCOME FUND  
Form N-CSR  
March 09, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-10491  
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Nuveen Real Estate Income Fund  
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(Exact name of registrant as specified in charter)

Nuveen Investments  
333 West Wacker Drive  
Chicago, IL 60606  
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(Address of principal executive offices) (Zip code)

Jessica R. Droeger  
Nuveen Investments  
333 West Wacker Drive  
Chicago, IL 60606  
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(Name and address of agent for service)

Registrant's telephone number, including area code: (312) 917-7700  
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Date of fiscal year end: December 31  
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Date of reporting period: December 31, 2004  
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Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

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ITEM 1. REPORTS TO STOCKHOLDERS.

ANNUAL REPORT December 31, 2004

Nuveen Investments  
Closed-End  
Exchange-Traded  
Funds

NUVEEN  
REAL ESTATE  
INCOME FUND  
JRS

Photo of: Man and woman sitting on porch.  
Photo of: 2 children sitting in the grass.

HIGH CURRENT INCOME FROM A PORTFOLIO OF COMMERCIAL REAL ESTATE INVESTMENTS

Logo: Nuveen Investments

Photo of: Woman  
Photo of: Man and child  
Photo of: Woman

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OR

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if you get your Nuveen Fund dividends  
and statements directly from Nuveen.

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(Be sure to have the address sheet that accompanied this report handy. You'll need it to complete the enrollment process.)

Logo: NUVEEN Investments

Timothy R. Schwertfeger  
Chairman of the Board

Photo of: Timothy R. Schwertfeger

Chairman's  
LETTER TO SHAREHOLDERS

I am very pleased to report that for the year ended December 31, 2004, your Fund continued to provide you with attractive monthly distributions and diversified exposure to the real estate investment marketplace.

Portfolio diversification is a recognized way to try to reduce some of the risk that comes with investing. Since one part of your portfolio may be going up when another is going down, portfolio diversification may help smooth your investment returns over time. In addition to providing regular monthly income, a real estate oriented investment like your Fund may help you achieve and benefit from greater portfolio diversification. Your financial advisor can explain these advantages in more detail. I urge you to contact him or her soon for more information on this important investment strategy.

"IN ADDITION TO PROVIDING REGULAR MONTHLY INCOME, A REAL ESTATE ORIENTED INVESTMENT LIKE YOUR FUND MAY HELP YOU ACHIEVE AND BENEFIT FROM GREATER PORTFOLIO DIVERSIFICATION."

I also urge you to consider receiving future Fund reports and other Fund information faster by using e-mails and the Internet. Sign up is quick and easy - see the inside front cover of this report for instructions.

For more than 100 years, Nuveen has specialized in offering quality investments such as your Fund to those seeking to accumulate and preserve wealth. Our mission continues to be to assist you and your financial advisor by offering the investment solutions and services that can help you secure your long-term financial goals. We thank you for choosing us as a partner as you work toward that objective.

Sincerely,

/s/ Timothy R. Schwertfeger

Timothy R. Schwertfeger  
Chairman of the Board

February 15, 2005

Nuveen Real Estate Income Fund  
(JRS)

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### Portfolio Managers' PERSPECTIVE

The Nuveen Real Estate Income Fund is subadvised by a team of real estate investment professionals at Security Capital Research & Management Incorporated, a part of JPMorgan Fleming Asset Management, which is the asset management business of JPMorgan Chase & Co. Tony Manno and Ken Statz, who each have more than 21 years' experience in managing real estate investments, lead the team. Here they review the economic environment, key investment strategies and performance of the Fund for the 12-month period ended December 31, 2004.

#### WHAT WERE THE GENERAL ECONOMIC AND MARKET CONDITIONS DURING THE YEAR ENDED DECEMBER 31, 2004?

Entering the year, a prolonged period of economic weakness had left many commercial real estate operating markets and property sectors around the United States under significant stress. Especially affected were those sectors for which business investment and job creation play a key role in creating and sustaining marginal demand, such as office buildings and hotels. In contrast, malls and smaller shopping centers, which tend to be more influenced by consumer behavior, continued to experience healthy operating fundamentals.

Throughout 2004, U.S. economic activity improved. New jobs began to emerge with consistency, raising the possibility that, from an operating perspective, a new cycle may be beginning for the hardest hit real estate property types. New supply additions remained largely in balance during the recent downturn, leading some to believe that any increases in demand as the economy improves may ultimately lead to higher occupancy levels. This, in turn, could mean potentially increased cash flow and dividend coverage for many real estate operating companies.

Accompanying these developments was a shift toward higher interest rate expectations by many market participants. In particular, we believe factors like the Federal Reserve's five increases in the fed funds rate over the course of 2004 had a dramatic affect on the actions and expectations of shorter-term-focused real estate securities investors. (On February 2, 2005, after the close of this reporting period, the Federal Reserve raised the fed funds rate by another 0.25% to 2.50%.) As a result, we saw unusually high volatility and trading volumes for real estate securities at various times throughout the year, and there was a significant dispersion of overall performance among property and security types.

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#### WITHIN THIS ENVIRONMENT, WHAT WAS YOUR OVERALL MANAGEMENT STRATEGY AND WHAT WERE SOME OF THE PRIMARY TACTICS?

During 2004, we continued to focus on identifying and owning securities that we believed were best positioned to generate sustainable income and potential price appreciation. In managing the Fund's portfolio, we sought to maintain significant diversification while taking into account credit quality issues, sector and geographic exposure, and allocations among various types of securities. Every trading decision was based on a multi-layered analysis of the company, the real estate it owned, its management, and the relative price of the security.

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The ability to shift allocations between preferred and common stocks based on the relative attractiveness of these two distinct markets was an important tactic in managing JRS for income and long-term capital appreciation. As operating fundamentals began to turn the corner in 2004, our research indicated a shift in the risk and reward characteristics of common stocks versus preferred stocks. Acting on this analysis, especially in the latter half of the year, we tilted the portfolio toward common stocks, especially those of companies that we thought exhibited the greatest potential in an improving economy. From January 1, 2004 to December 31, 2004, the allocation toward common stocks increased from 65% of investments to 73%.

### HOW DID THE FUND PERFORM?

Fund performance results, as well as the performance of a relevant index, are shown in the accompanying table.

#### TOTAL RETURNS ON NET ASSET VALUE

For the 12-month period ended December 31, 2004

JRS	30.12%
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Dow Jones Wilshire

Real Estate Securities

Index <sup>1</sup>	34.81%
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Past performance does not guarantee future results. Returns do not reflect the deduction of taxes that a shareholder may have to pay on Fund distributions or upon the sale of Fund shares.

The Fund provided a very attractive total return on net asset value over the 12-month period, although its performance trailed the Dow Jones Wilshire index. Most of the gains

- 1 The Dow Jones Wilshire Real Estate Securities Index is an unmanaged index comprised of publicly-traded REITs and other real estate operating companies.

in the Fund and the index occurred in the last six months of the year as the economy continued to improve.

Since 2003, we had been gradually and selectively shifting the portfolio's property type weightings from a largely defensive posture to one that we think better positions it with respect to a growing economy. From January 1 to December 31, 2004, this resulted in an increase in our allocation toward more cyclically sensitive mall and apartment companies (from 12.9% to 14.1% of the portfolio, and from 17.3% to 19.3%, respectively), and a decrease in the allocation to the more defensive office buildings and shopping center sectors (from 37.7% to 30.4% of the portfolio, and from 12.2% to 7.2%, respectively).

Returns by property sector in 2004 began to reflect the value of this strategic shift. According to the Dow Jones Wilshire Real Estate Securities Index, mall companies outperformed substantially in 2004 relative to the wider real estate securities universe, while office companies underperformed. Apartment companies generally performed in line with the universe - however, the portfolio's

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specific holdings in this area generally outperformed.

At the same time, the portfolio's selections among diversified companies (i.e. those not specializing in any one property type) did not perform nearly as well as the rest of the universe, and consequently negatively impacted the Fund's total return performance over this period.

While much of our emphasis was on finding attractive REIT common stocks, REIT preferred stock remained an important component of the income and appreciation performance of JRS. REIT preferred stocks are not included in the Dow Jones Wilshire index. While we believe REIT preferred stocks helped the Fund's overall risk profile, they did create a small drag on performance when compared with an all common stock REIT and real estate index.

Another factor benefiting Fund performance over the past year was the Fund's use of financial leverage. Using this strategy, the Fund effectively borrowed money by issuing Taxable Auctioned Preferred shares that paid shorter-term rates and invested those proceeds in its portfolio of real estate company common stocks and preferred stocks.

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While this strategy had the potential to add volatility to the Fund's NAV and share price, this leveraging substantially enhanced total returns during the period by amplifying the already strong return performance of the Fund's portfolio investments.

HOW ABOUT THE FUND'S MONTHLY DISTRIBUTIONS AND SHARE PRICE?

The Fund's financial leverage, described immediately above, can increase share price volatility, but also can enhance Fund returns and supplement the income available to pay common shareholder distributions. This leveraging strategy provided incremental income and helped enhance shareholder distributions over the 12-month period.

On September 1, 2004, the Fund announced that it had adopted a managed distribution policy. Under this policy, the Fund's monthly distributions now are determined based primarily on investment income generated by its underlying securities as well as on realized capital gains and/or returns of capital representing unrealized capital gains. The Fund had built a significant balance of realized and unrealized capital gains since its inception in 2001, and we believed it was in the best interests of our shareholders to distribute a portion of the capital appreciation embedded in the Fund during the course of the year, rather than in a lump-sum distribution at the end of the year.

As a result of these strategies and policies, the Fund was able to increase its regular monthly distribution in September 2004 to \$0.135 per share from \$0.115 per share.

As of December 31, 2004, the Fund was trading at a -7.61% discount to its net asset value, compared with an average discount of -6.37% for the entire 12-month period.

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JRS

## Performance

OVERVIEW As of December 31, 2004

### Pie Chart:

#### PORTFOLIO ALLOCATION

(as a % of total investments)

Common Stocks	72.7%
Preferred Stocks	26.8%
Repurchase Agreements	0.5%

### Bar Chart:

#### 2004 MONTHLY DISTRIBUTIONS PER SHARE

Jan	0.115
Feb	0.115
Mar	0.115
Apr	0.115
May	0.115
Jun	0.115
Jul	0.115
Aug	0.115
Sep	0.135
Oct	0.135
Nov	0.135
Dec	0.135

### Line Chart:

#### SHARE PRICE PERFORMANCE

Weekly Closing Price

Past performance is not predictive of future results.

1/1/04	18.53
	18.63
	18.69
	18.75
	18.75
	18.75
	18.88
	18.49
	18.6
	18.46
	18.69
	18.85
	18.85
	18.65
	18.69
	18.84
	18.89
	18.91
	19
	18.94
	18.94
	19.1
	19.13
	19
	18.94
	19.04
	19.1
	19.19
	18.98

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18.9  
18.75  
18.68  
18.59  
18.39  
18.26  
17.52  
17.62  
17.97  
18.36  
18.55  
18.55  
18.6  
18.7  
19  
19.05  
19.13  
19.17  
19.12  
19.1  
19.1  
19.11  
18.95  
19.05  
19.08  
19.18  
19.24  
19.1  
18.88  
19.19  
19.1  
19.18  
19.16  
19.21  
19.28  
19.35  
19.3  
17.98  
17.32  
17.81  
18  
16.8  
16.07  
15.85  
16.27  
16.77  
16.6  
16.06  
15.95  
16.11  
16.01  
15.81  
15.76  
15.78  
15.79  
15.85  
15.86  
16.07  
16.16  
15.99  
15.15  
14.95



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15.26  
15.36  
15.56  
15.91  
15.8  
15.95  
15.97  
16  
16.12  
16.22  
16.3  
16.45  
16.59  
16.69  
16.69  
16.68  
16.75  
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16.85  
16.87  
16.83  
16.83  
16.6  
15.97  
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16.18  
16.16  
16.17  
16.35  
16.44  
16.7  
16.65  
16.55  
16.63  
16.63  
16.83  
16.92  
16.98  
17  
17.12  
17.18  
17.17  
17.27  
17.08  
16.99  
17.08  
17.18  
17.34  
17.39  
17.27  
17.17  
17.05  
16.95  
17.06  
17.04  
17.15  
17.44  
17.44  
17.43  
17.5  
17.5  
17.55

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17.3  
17.38  
17.52  
17.47  
17.47  
17.58  
17.5  
17.68  
17.9  
17.81  
17.9  
17.9  
17.89  
17.83  
17.86  
17.95  
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18.15  
18.25  
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19.1  
19.04  
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18.83  
18.69  
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18.78  
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18.91  
18.68  
18.8  
18.82  
18.94  
18.81  
18.93  
18.99  
19.07  
19.24  
19.37  
19.27  
19.38  
19.38  
19.42  
19.59  
19.63  
19.45  
19.53  
19.68  
19.82  
19.89  
19.75  
19.92  
20  
19.91  
20  
19.99  
20.05  
20.02  
20.02  
20.25

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	20.2
	20.45
	20.61
	19.4
	18.96
	19.18
	19.4
	19.68
	19.89
	19.91
	19.9
	19.71
	19.65
	19.68
	19.74
	19.99
	20.14
	20.18
	20.2
	20.24
	20.49
	20.62
	20.78
	20.9
	20.66
	20.7
	20.85
	20.99
	20.75
	20.88
	20.75
	20.76
	20.62
	20.4
	20.41
	20.45
	20.64
	20.65
	20.62
	20.46
	20.64
12/31/04	20.75

FUND SNAPSHOT

Share Price	\$20.75
Common Share Net Asset Value	\$22.46
Premium/(Discount) to NAV	-7.61%
Market Yield <sup>1</sup>	7.81%
Net Assets Attributable to Common Shares (\$000)	\$631,979

INDUSTRIES

(as a % of total investments)	
Office	30.4%

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Apartments	19.3%
Regional Malls	14.1%
Healthcare	10.2%
Diversified	8.4%
Shopping Centers	7.2%
Hotel	4.7%
Repurchase Agreements	0.5%
Other	5.2%

TOP FIVE COMMON STOCK ISSUERS  
(as a % of total investments)

The Macerich Company	8.2%
Mack-Cali Realty Corporation	7.7%
Arden Realty, Inc.	6.5%
HRPT Properties Trust	5.8%
Nationwide Health Properties, Inc.	5.7%

TOP FIVE PREFERRED STOCK ISSUERS  
(as a % of total investments)

Crescent Real Estate Equities Company	5.7%
Apartment Investment & Management Company	3.8%
Home Properties, Inc.	3.2%
LaSalle Hotel Properties	2.0%
PS Business Parks, Inc.	1.7%

AVERAGE ANNUAL TOTAL RETURN  
(Inception 11/15/01)

	ON SHARE PRICE	ON NAV
1-Year	19.80%	30.12%
Since Inception	20.36%	25.16%

1 Market yield is based on the Fund's current annualized monthly distribution divided by the Fund's current market price. REIT distributions received by the Fund are generally comprised of investment income, long-term and

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short-term capital gains and a REIT return of capital. The Fund's monthly distributions to its shareholders may be comprised of ordinary income, net realized capital gains and, if at the end of the calendar year the Fund's cumulative net ordinary income and net realized gains are less than the amount of the Fund's distributions, a tax return of capital.

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Report of  
INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM

TO THE SHAREHOLDERS AND BOARD OF TRUSTEES OF  
NUVEEN REAL ESTATE INCOME FUND

We have audited the accompanying statement of assets and liabilities of Nuveen Real Estate Income Fund (the "Fund"), including the portfolio of investments, as of December 31, 2004, and the related statement of operations for the year then ended, the statement of changes in net assets for the year then ended, for the period from November 1, 2003 to December 31, 2003 and for the year ended October 31, 2003, and the financial highlights for the year then ended, for the period from November 1, 2003 to December 31, 2003, for the year ended October 31, 2003 and for the period from November 15, 2001 (commencement of operations) to October 31, 2002. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2004, by correspondence with the custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Nuveen Real Estate Income Fund at December 31, 2004, the results of its operations for the year then ended, the changes in its net assets for the year then ended, for the period from November 1, 2003 to December 31, 2003 and for the year ended October 31, 2003, and the financial highlights for the year then ended, for the period from November 1, 2003 to December 31, 2003, for the year ended October 31, 2003 and for the period from November 15, 2001 (commencement of operations) to October 31, 2002, in conformity with U.S. generally accepted accounting principles.

/s/Ernst & Young LLP

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Chicago, Illinois  
February 17, 2005

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Nuveen Real Estate Income Fund (JRS)  
Portfolio of  
INVESTMENTS December 31, 2004

SHARES	DESCRIPTION(1)
-----	
	COMMON STOCKS - 92.5% (72.7% OF TOTAL INVESTMENTS)
	APARTMENTS - 15.4%
526,300	Amlı Residential Properties Trust
215,300	Apartment Investment & Management Company, Series A
870,000	Archstone-Smith Trust
516,400	AvalonBay Communities, Inc.
-----	
	DIVERSIFIED - 0.7%
326,000	Spirit Finance Corporation
-----	
	HEALTHCARE - 12.4%
1,912,300	Nationwide Health Properties, Inc.
1,740,300	Senior Housing Properties Trust
-----	
	HOTEL - 0.9%
492,564	Hersha Hospitality Trust
-----	
	INDUSTRIAL - 3.3%
517,100	First Industrial Realty Trust, Inc.
-----	
	OFFICE - 33.0%
1,388,800	Arden Realty, Inc.
3,642,100	HRPT Properties Trust
1,351,500	Mack-Cali Realty Corporation
298,100	Maguire Properties, Inc.
1,205,600	Reckson Associates Realty Corporation

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	REGIONAL MALLS - 15.7%
1,205,600	Glimcher Realty Trust
1,044,100	The Macerich Company
	SHOPPING CENTERS - 8.0%
378,000	Cedar Shopping Centers Inc.
413,800	Federal Realty Investment Trust
880,300	New Plan Excel Realty Trust
	STORAGE - 3.1%
76,900	Public Storage, Inc., Series A
984,200	U-Store It Trust
	Total Common Stocks (cost \$357,470,917)

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SHARES	DESCRIPTION(1)
	PREFERRED STOCKS - 34.1% (26.8% OF TOTAL INVESTMENTS)
	APARTMENTS - 9.3%
	Apartment Investment & Management Company:
803,500	Series R, 10.000%
380,000	Series U, 7.750%
945,000	Home Properties, Inc., Series F, 9.000%
51,300	United Dominion Realty Trust, Series B, 8.600%
	DIVERSIFIED - 10.1%
	Crescent Real Estate Equities Company:
1,031,300	Series A (Convertible), 6.750%
850,000	Series B, 9.500%
150,000	Lexington Corporate Properties Trust, Series B, 8.050%
497,623	PS Business Parks, Inc., Series F, 8.750%

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### HEALTHCARE - 0.5%

32,558 Nationwide Health Properties, Inc., Series A, 7.677%

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### HOTEL - 5.0%

130,000 Ashford Hospitality Trust, Series A, 8.550%

360,000 Boykin Lodging Company, Series A, 10.500%

592,000 LaSalle Hotel Properties, Series A, 10.250%

82,000 WestCoast Hospitality Corporation, Series A, 9.500%

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### OFFICE - 5.6%

#### Alexandria Real Estate Equities Inc:

95,400 Series B, 9.100%

160,000 Series C, 8.375%

200,000 Corporate Office Properties Trust, Series G, 8.000%

12,141 Highwoods Properties, Inc., Series A, 8.625%

406,000 Maguire Properties, Inc., Series A, 7.625%

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### REGIONAL MALLS - 2.2%

#### Glimcher Realty Trust:

113,000 Series F, 8.750%

50,000 Series G, 8.125%

#### The Mills Corp.:

115,200 Series C, 9.000%

213,000 Series E, 8.750%

24,500 Taubman Centers, Inc., Series A, 8.300%

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### SHOPPING CENTERS - 1.2%

160,000 Cedar Shopping Centers Inc., 8.875%

125,000 Saul Centers, Inc., Series A, 8.000%

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### STORAGE - 0.2%

#### Shurgard Storage Centers, Inc:

30,000 Series C, 8.700%

24,600 Series D, 8.750%



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 Total Preferred Stocks (cost \$197,895,365)  
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Nuveen Real Estate Income Fund (JRS) (continued)  
 Portfolio of INVESTMENTS December 31, 2004

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)
	REPURCHASE AGREEMENTS (COST \$3,942,248) - 0.6% (0.5% OF TOTAL INVESTMENTS)
\$ 3,942	State Street Bank, 1.000%, dated 12/31/04, due 1/03/05, repurchase price \$3,942,500, collateralized by \$2,555,000 U.S. Treasury Bonds, 10.625%, due 8/15/15, value \$4,000,000
=====	
	Total Investments (cost \$559,308,530) - 127.2%
	-----
	Other Assets Less Liabilities - 0.0%
	-----
	Taxable Auctioned Preferred Shares, at Liquidation Value - (27.2%)
	-----
	Net Assets Applicable to Common Shares - 100%
	=====

INTEREST RATE SWAP CONTRACTS OUTSTANDING AT DECEMBER 31, 2004:

COUNTERPARTY	NOTIONAL AMOUNT	FIXED RATE	FLOATING RATE
Citigroup N.A.	\$43,000,000	4.0225%	1.3600
Citigroup N.A.	43,000,000	4.8000	1.3600
Citigroup N.A.	43,000,000	5.1900	1.3600

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\* Based on LIBOR (London Inter-Bank Offered Rates).

(1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.

See accompanying notes to financial statements.

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Statement of  
ASSETS AND LIABILITIES December 31, 2004

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ASSETS

Investments, at market value (cost \$559,308,530)  
Dividends and interest receivable  
Other assets

-----  
Total assets  
-----

LIABILITIES

Interest rate swaps, at value  
Accrued expenses:  
    Management fees  
    Other  
Taxable Auctioned Preferred share dividends payable

-----  
Total liabilities  
-----

Taxable Auctioned Preferred shares, at liquidation value  
-----

Net assets applicable to Common shares  
=====

Common shares outstanding  
=====

Net asset value per Common share outstanding (net assets applicable to  
Common shares, divided by Common shares outstanding)  
=====

NET ASSETS APPLICABLE TO COMMON SHARES CONSIST OF:

-----  
Common shares, \$.01 par value per share  
Paid-in surplus  
Undistributed net investment income  
Accumulated net realized gain from investments and interest rate swaps  
Net unrealized appreciation (depreciation) of investments and interest rate swaps  
-----

Net assets applicable to Common shares  
=====

Authorized shares:

    Common  
    Taxable Auctioned Preferred  
=====

See accompanying notes to financial statements.

Statement of  
OPERATIONS Year Ended December 31, 2004

-----  
INVESTMENT INCOME

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Dividends  
Interest

-----  
Total investment income  
-----

EXPENSES

Management fees  
Taxable Auctioned Preferred shares - auction fees  
Taxable Auctioned Preferred shares - dividend disbursing agent fees  
Shareholders' servicing agent fees and expenses  
Custodian's fees and expenses  
Trustees' fees and expenses  
Professional fees  
Shareholders' reports - printing and mailing expenses  
Stock exchange listing fees  
Investor relations expense  
Other expenses

-----  
Total expenses before custodian fee credit and expense reimbursement  
    Custodian fee credit  
    Expense reimbursement  
-----

Net expenses

-----  
Net investment income  
-----

REALIZED AND UNREALIZED GAIN (LOSS)

Net realized gain from investments  
Net realized gain (loss) from interest rate swaps  
Change in net unrealized appreciation (depreciation) of investments  
Change in net unrealized appreciation (depreciation) of interest rate swaps

-----  
Net realized and unrealized gain  
-----

DISTRIBUTIONS TO TAXABLE AUCTIONED PREFERRED SHAREHOLDERS

From net investment income  
From accumulated net realized gains from investments

-----  
Decrease in net assets applicable to Common shares from distributions to Taxable Auctioned Preferred  
-----

Net increase in net assets applicable to Common shares from operations  
=====

See accompanying notes to financial statements.

Statement of  
CHANGES IN NET ASSETS

OPERATIONS

Net investment income

YEAR END  
12/31/

-----  
\$ 24,895,3

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Net realized gain from investments	18,980,9
Net realized gain (loss) from interest rate swaps	(4,017,7
Change in net unrealized appreciation (depreciation) of investments	109,849,1
Change in net unrealized appreciation (depreciation) of interest rate swaps	3,346,4
Distributions to Taxable Auctioned Preferred shareholders:	
From net investment income	(1,353,3
From accumulated net realized gains from investments	(1,218,5
<hr style="border-top: 1px dashed black;"/>	
Net increase in net assets applicable to Common shares from operations	150,482,2
<hr style="border-top: 1px dashed black;"/>	
DISTRIBUTIONS TO COMMON SHAREHOLDERS	
From net investment income	(19,333,3
From accumulated net realized gains from investments	(17,762,3
Tax return of capital	(3,983,4
<hr style="border-top: 1px dashed black;"/>	
Decrease in net assets applicable to Common shares from distributions to Common shareholders	(41,079,1
<hr style="border-top: 1px dashed black;"/>	
CAPITAL SHARE TRANSACTIONS	
Net proceeds from Common shares issued to shareholders due to reinvestment of distributions	
Taxable Auctioned Preferred shares offering costs	
<hr style="border-top: 1px dashed black;"/>	
Net increase in net assets applicable to Common shares from capital share transactions	
<hr style="border-top: 1px dashed black;"/>	
Net increase in net assets applicable to Common shares	109,403,0
Net assets applicable to Common shares at the beginning of year	522,575,9
<hr style="border-top: 1px dashed black;"/>	
Net assets applicable to Common shares at the end of year	\$631,979,0
<hr style="border-top: 1px dashed black;"/>	
Undistributed (Over-distribution of) net investment income at the end of year	\$ 179,1
<hr style="border-top: 1px dashed black;"/>	

See accompanying notes to financial statements.

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### Notes to FINANCIAL STATEMENTS

#### 1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

Nuveen Real Estate Income Fund (the "Fund") is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended. The Fund's Common shares are listed on the American Stock Exchange and trade under the ticker symbol "JRS." The Fund was organized as a Massachusetts business trust on August 27, 2001.

The Fund seeks to provide high current income by investing primarily in a portfolio of income-producing common stocks, preferred stocks, convertible preferred stocks and debt securities issued by real estate companies, such as Real Estate Investment Trusts ("REITs").

The Board of Trustees of the Fund approved a change in the Fund's fiscal year end from October 31 to December 31 upon completion of the Fund's October 31, 2003 fiscal year.

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The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements in accordance with U.S. generally accepted accounting principles.

### Investment Valuation

Exchange-listed securities are generally valued at the last sales price on the securities exchange on which such securities are primarily traded. Securities traded on a securities exchange for which there are no transactions on a given day or securities not listed on a securities exchange are valued at the mean of the closing bid and asked prices. Securities traded on Nasdaq are valued at the Nasdaq Official Closing Price. Prices of interest rate swaps are also provided by an independent pricing service approved by the Fund's Board of Trustees. If the pricing service is unable to supply a price for an interest rate swap the Fund may use a market quote provided by a major broker/dealer in such investments. If it is determined that market prices for an investment are unavailable or inappropriate, the Board of Trustees of the Fund, or its designee, may establish a fair value for the investment. In establishing a fair value, the Board of Trustees, or its designee, will use a wide variety of market data including yields or prices of comparable securities, indications of value from security dealers, general market conditions and other information and analysis. Short-term securities are valued at amortized cost, which approximates market value.

### Securities Transactions

Securities transactions are recorded on a trade date basis. Realized gains and losses from transactions are determined on the specific identification method.

### Investment Income

Dividend income is recorded on the ex-dividend date. Interest income is recorded on an accrual basis.

### Income Taxes

The Fund intends to distribute substantially all net investment income and net capital gains to shareholders and to otherwise comply with the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies. Therefore, no federal income tax provision is required.

### Dividends and Distributions to Common Shareholders

Distributions to Common shareholders are recorded on the ex-dividend date. The amount and timing of distributions are determined in accordance with federal income tax regulations, which may differ from U.S. generally accepted accounting principles.

Commencing with the Fund's September 1, 2004 dividend declaration, payable October 1, 2004, the Fund intends to make monthly cash distributions to Common Shareholders of a stated dollar amount based primarily on the Fund's net investment income but also secondarily on net realized capital gains and /or on net unrealized capital gains in the Fund's portfolio (stated in terms of a fixed cents per Common Share dividend rate) ("Managed Distribution Policy"). The Fund seeks to maintain a stable dividend level, subject to approval and oversight by the Fund's Board of Trustees. Distributions will be made only after paying any accrued dividends or making any redemption or liquidation payments to Taxable Auctioned Preferred shares, if any, and interest and required principal payments on borrowings, if any. Under the Managed Distribution Policy, if, for any monthly distribution, net investment income and net realized capital gain were less than the amount of the distribution, the difference would be distributed

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from the Fund's assets and would be treated by shareholders as a return of capital for tax purposes. The final determination of the source of all distributions for the year will be made after the end of the year.

REIT distributions received by the Fund are generally comprised of investment income, long-term and short-term capital gains, and a return of REIT capital. The actual character of amounts received during a period are not known until after the fiscal year-end of the Fund. For the twelve months ended December 31, 2004, the character of distributions to the Fund from the REITs was 58.07%

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ordinary income, 25.75% long-term and short-term capital gains, and 16.18% return of REIT capital. For the twelve months ended December 31, 2003, the character of distributions to the Fund from the REITs was 69.69% ordinary income, 12.66% long-term and short-term capital gains, and 17.65% return of REIT capital.

For the fiscal year ended October 31, 2003, the Fund applied a percentage estimate for the breakdown of income type, to its receipts from the REITs and treated as income in the Statement of Operations only the amount of ordinary income so calculated. The Fund adjusted that estimated breakdown of income type (and consequently its net investment income) as necessary early in the following calendar year when the REITs informed their shareholders of the actual breakdown of income type. For the fiscal periods ended December 31, 2003 and December 31, 2004, the Fund applied the actual character of distributions reported by the REITs in which the Fund invests to its receipts from the REITs. If a REIT held in the portfolio of investments did not report the actual character of its distributions during the period, the Fund treated the distributions as ordinary income.

During the fiscal year ended October 31, 2003, the Fund treated each distribution to its shareholders from the portfolio REITs as being entirely from net investment income. The Fund recharacterized those distributions as being from ordinary income, long-term and short-term capital gains, and return of capital, if necessary, at the beginning of the subsequent calendar year, based upon the income type breakdown information conveyed at that time by the REITs whose securities were held in the Fund's portfolio. Recharacterizations are reflected in the accompanying financial statements. For the fiscal periods ended December 31, 2003 and December 31, 2004, the Fund applied the actual character of distributions reported by the REITs in which the Fund invests to the distributions paid to the Fund shareholders.

### Taxable Auctioned Preferred Shares

The Fund has issued and outstanding 1,720 Series M, 1,720 Series T, 1,720 Series W and 1,720 Series F, Taxable Auctioned Preferred shares, \$25,000 stated value per share, as a means of effecting financial leverage. The dividend rate on each series is determined every seven days, pursuant to a dutch auction process overseen by the auction agent, and is payable weekly at the end of each rate period.

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#### Interest Rate Swap Transactions

The Fund is authorized to enter into hedging transactions, including interest rate swap transactions. The Fund's use of interest rate swap transactions is intended to mitigate the negative impact that an increase in short-term interest rates could have on Common share net earnings as a result of leverage. Interest rate swap transactions involve the Fund's agreement with the counterparty to pay a fixed rate payment in exchange for the counterparty paying the Fund a variable rate payment that is intended to approximate the Fund's variable rate payment obligation on Taxable Auctioned Preferred shares or any variable rate borrowing. The payment obligation is based on the notional amount of the interest rate swap contract. Interest rate swaps do not involve the delivery of securities or other underlying assets or principal. Accordingly, the risk of loss with respect to the swap counterparty on such transactions is limited to the net amount of interest payments that the Fund is to receive. Interest rate swap positions are valued daily. Although there are economic advantages of entering into interest rate swap transactions, there are also additional risks. The Fund helps manage the credit risks associated with interest rate swap transactions by entering into agreements only with counterparties the Adviser believes have the financial resources to honor their obligations and by having the Adviser continually monitor the financial stability of the swap counterparties.

Due to recent clarification provided by the SEC to regulated investment companies, effective with the current reporting period, the Fund changed the way it presents net interest expense on interest rate swap transactions in the financial statements. In the December 31, 2004, financial statements net interest expense amounts paid are included in "Net realized gain (loss) from interest rate swaps". Net interest expense amounts accrued, but not yet paid, at December 31, 2004, are included in "Change in net unrealized appreciation (depreciation) of interest rate swaps". Previously, net interest expense was presented in "Expenses" and reported as "Net interest expense on interest rate swaps". This reclassification does not alter the tax treatment of interest rate payments on swap transactions which is to include such payments as operating expenses for tax purposes. For the fiscal year ended December 31, 2004, this reclassification, for financial reporting purposes only, resulted in a \$4,235,732 increase to net investment income, a \$4,017,763 decrease to net realized gain (loss) from interest rate swaps and a \$217,969 decrease to change in net unrealized appreciation (depreciation) of interest rate swaps.

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#### Repurchase Agreements

In connection with transactions in repurchase agreements, it is the Fund's policy that its custodian take possession of the underlying collateral securities, the fair value of which exceeds the principal amount of the repurchase transaction, including accrued interest, at all times. If the seller defaults, and the fair value of the collateral declines, realization of the collateral may be delayed or limited.

#### Custodian Fee Credit

The Fund has an arrangement with the custodian bank whereby certain custodian fees and expenses are reduced by credits earned on the Fund's cash on deposit with the bank. Such deposit arrangements are an alternative to overnight investments.

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### Indemnifications

Under the Fund's organizational documents, its Officers and Trustees are indemnified against certain liabilities arising out of the performance of their duties to the Fund. In addition, in the normal course of business, the Fund enters into contracts that provide general indemnifications to other parties. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund had not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

### Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets applicable to Common shares from operations during the reporting period. Actual results may differ from those estimates.

### 2. FUND SHARES

The Fund did not engage in transactions in its own shares during the fiscal year ended December 31, 2004.

During the two months ended December 31, 2003, 2,658 Common shares were issued to shareholders due to reinvestment of distributions.

During the fiscal year ended October 31, 2003, 24,199 Common shares were issued to shareholders due to reinvestment of distributions.

### 3. SECURITIES TRANSACTIONS

Purchases and sales of investments (excluding short-term investments) during the fiscal year ended December 31, 2004, aggregated \$97,657,912 and \$97,701,129, respectively.

### 4. INCOME TAX INFORMATION

The following information is presented on an income tax basis. Differences between amounts for financial statement and federal income tax purposes are primarily due to timing differences in recording income and in recognizing certain gains and losses on security transactions.

At December 31, 2004, the cost of investments owned was \$559,308,530.

The net unrealized appreciation of investments at December 31, 2004, aggregated \$244,367,512, of which \$244,413,112 related to appreciated securities and \$45,600 related to depreciated securities.

### Notes to FINANCIAL STATEMENTS (continued)

The tax components of undistributed net ordinary income and net realized gains



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at December 31, 2004, were as follows:

Undistributed net ordinary income *	\$--
Undistributed net long-term capital gains	--
=====	

\* Net ordinary income consists of net taxable income derived from dividends, interest and net short-term capital gains, if any.

The tax character of distributions paid during the fiscal periods ended December 31, 2004, December 31, 2003 and October 31, 2003, was designated for purposes of the dividends paid deduction as follows:

### FISCAL YEAR ENDED DECEMBER 31, 2004

Distributions from net ordinary income *	\$20,708,231
Distributions from net long-term capital gains	18,932,319
Tax return of capital	3,983,421
=====	

### FOR THE TWO MONTHS ENDED DECEMBER 31, 2003

Distributions from net ordinary income *	\$3,904,970
Distributions from net long-term capital gains	2,435,010
Tax return of capital	3,717,296
=====	

### FISCAL YEAR ENDED OCTOBER 31, 2003

Distributions from net ordinary income *	\$33,787,266
Distributions from net long-term capital gains	7,156,788
Tax return of capital	1,129,210
=====	

\* Net ordinary income consists of net taxable income derived from dividends, interest and net short-term capital gains, if any.

### 5. MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES

As approved by the Board of Trustees, effective August 1, 2004, a complex-wide management fee structure was adopted for all funds sponsored by Nuveen Institutional Advisory Corp. (the "Adviser"), a wholly owned subsidiary of Nuveen Investments, Inc. ("Nuveen") and its affiliates. This fee structure separates each fund's management fee into two components - a complex-level component, based on the aggregate amount of all funds assets managed by the Adviser and its affiliates, and a specific fund-level component, based only on the amount of assets within each individual fund. This pricing structure enables Nuveen fund shareholders to benefit from growth in the assets within each individual fund as well as from growth in the amount of complex-wide assets managed by the Adviser and its affiliates. Under no circumstances will this pricing structure result in a fund paying management fees at a rate higher than would otherwise have been applicable had the complex-wide management fee structure not been implemented. As a consequence of this new management fee structure, the funds' effective management fees were reduced by approximately .009% as of January 31, 2005.

Effective August 1, 2004, the annual fund-level fee, payable monthly, for the Fund is based upon the average daily Managed Assets of the Fund as follows:

	FUND-LEVEL
AVERAGE DAILY MANAGED ASSETS	FEE RATE

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For the first \$500 million	.7000%
For the next \$500 million	.6750
For the next \$500 million	.6500
For the next \$500 million	.6250
For Managed Assets over \$2 billion	.6000

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Effective August 1, 2004, the annual complex-level fee, payable monthly, which is additive to the fund-level fee, for all Nuveen sponsored funds in the U.S., is based on the aggregate amount of total fund assets managed as follows:

COMPLEX-LEVEL ASSETS (1)	COMPLEX-LEVEL FEE RATE
For the first \$55 billion	.2000%
For the next \$1 billion	.1800
For the next \$1 billion	.1600
For the next \$3 billion	.1425
For the next \$3 billion	.1325
For the next \$3 billion	.1250
For the next \$5 billion	.1200
For the next \$5 billion	.1175
For the next \$15 billion	.1150
For Managed Assets over \$91 billion (2)	.1400

(1) The complex-level fee component of the management fee for the funds is calculated based upon the aggregate Managed Assets ("Managed Assets" means the average daily net assets of each fund including assets attributable to all types of leverage used by the Nuveen funds) of Nuveen-sponsored funds in the U.S.

(2) With respect to the complex-wide Managed Assets over \$91 billion, the fee rate or rates that will apply to such assets will be determined at a later date. In the unlikely event that complex-wide Managed Assets reach \$91 billion prior to a determination of the complex-level fee rate or rates to be applied to Managed Assets in excess of \$91 billion, the complex-level fee rate for such complex-wide Managed Assets shall be .1400% until such time as a different rate or rates is determined.

The Fund paid through July 31, 2004, an annual management fee, payable monthly, at the rates set forth below, which were based upon the average daily Managed Assets of the Fund as follows:

AVERAGE DAILY MANAGED ASSETS	MANAGEMENT FEE RATE
For the first \$500 million	.9000%
For the next \$500 million	.8750
For the next \$500 million	.8500
For the next \$500 million	.8250
For Managed Assets over \$2 billion	.8000

The management fee compensates the Adviser for overall investment advisory and administrative services and general office facilities. The Adviser has entered into a Sub-Advisory Agreement with Security Capital Research & Management

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Incorporated ("Security Capital"), under which Security Capital manages the investment portfolio of the Fund. Security Capital is compensated for its services to the Fund from the management fee paid to the Adviser.

The Fund pays no compensation directly to those of its Trustees who are affiliated with the Adviser or to its officers, all of whom receive remuneration for their services to the Fund from the Adviser or its affiliates. The Board of Trustees has adopted a deferred compensation plan for independent Trustees that enables Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from certain Nuveen advised Funds. Under the plan, deferred amounts are treated as though equal dollar amounts had been invested in shares of select Nuveen advised Funds.

For the first ten years of the Fund's operations, the Adviser has agreed to reimburse the Fund, as a percentage of average daily Managed Assets, for fees and expenses in the amounts and for the time periods set forth below:

YEAR ENDING NOVEMBER 30,		YEAR ENDING NOVEMBER 30,	
2001*	.30%	2007	.25%
2002	.30	2008	.20
2003	.30	2009	.15
2004	.30	2010	.10
2005	.30	2011	.05
2006	.30		

\* From the commencement of operations.

The Adviser has not agreed to reimburse the Fund for any portion of its fees and expenses beyond November 30, 2011.

Notes to  
FINANCIAL STATEMENTS (continued)

### Subadvisor Acquisition

On November 24, 2003, Banc One Investment Advisors Corporation, an indirect, wholly-owned subsidiary of Bank One Corporation acquired Security Capital. Pursuant to the Investment Company Act of 1940, the change in ownership of Security Capital caused the existing sub-advisory agreement to terminate, and shareholders of the Fund were required to approve a new subadvisory agreement with Security Capital. At the Fund's annual shareholder meeting on January 20, 2004, shareholders approved the new sub-advisory agreement.

On July 1, 2004, Bank One Corporation was merged with JPMorgan Chase & Co. As a result of the merger, Security Capital became part of JPMorgan Fleming Asset Management. JPMorgan Fleming Asset Management is the marketing name for the asset management business of JPMorgan Chase & Co. Those businesses include JPMorgan Investment Management Inc. and its affiliates, including, without limitation, Banc One Investment Advisors Corporation, Banc One High Yield Partners, LLC, Security Capital Research & Management Incorporated, and JPMorgan Alternative Asset Management, Inc. As the merger was not deemed to cause a change in control of the Fund's Sub-Adviser, shareholder approval of a new

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sub-advisory agreement was not necessary.

### 6. SUBSEQUENT EVENTS

#### Distributions to Common Shareholders

The Fund declared a distribution of \$.1350 per Common share which was paid on February 1, 2005, to shareholders of record on January 15, 2005.

#### Adviser Merger

Effective January 1, 2005, the Adviser and its affiliate, Nuveen Advisory Corp. ("NAC"), were merged into Nuveen Asset Management ("NAM"), also a wholly owned subsidiary of Nuveen. As a result of the merger, NAM is now the adviser to all funds previously advised by either NAC or the Adviser.

#### Announcement Regarding Parent Company of Adviser

After the close of trading on the New York Stock Exchange on January 31, 2005, The St. Paul Travelers Companies, Inc. announced that it intended to explore strategic alternatives to divest its equity stake in Nuveen.

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### Financial HIGHLIGHTS

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### Financial HIGHLIGHTS

Selected data for a Common share outstanding throughout each period:

	Investment Operations				
Beginning Common Share Net Asset Value	Net Investment Income (a)	Net Realized/ Unrealized Gain (Loss)	Distributions from Net Investment Income to Taxable Auctioned Preferred Share- holders+	Distributions from Capital Gains to Taxable Auctioned Preferred Share- holders+	
<hr style="border-top: 1px dashed black;"/>					
Year Ended 12/31:					
2004 (b)	\$18.57	\$ .88	\$4.56	\$ (.05)	\$ (.04)
2003 (c)	17.30	.12	1.38	(.01)	--
Year Ended 10/31:					
2003	13.56	.85	4.38	(.05)	(.02)
2002 (d)	14.33	1.02	(.46)	(.07)	(.02)

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Less Distributions							
	Net Investment Income to Common Share-holders	Capital Gains to Common Share-holders	Tax Return of Capital	Total	Offering Costs and Taxable Auctioned Preferred Share Underwriting Discounts	Ending Common Share Net Asset Value	
Year Ended 12/31:							
2004 (b)	\$ (.69)	\$ (.63)	\$ (.14)	\$ (1.46)	\$ --	\$22.46	\$
2003 (c)	(.01)	(.08)	(.13)	(.22)	--	18.57	
Year Ended 10/31:							
2003	(.97)	(.41)	(.04)	(1.42)	--	17.30	
2002 (d)	(.89)	(.25)	--	(1.14)	(.10)	13.56	

Ratios/Supplemental Data					
	Before Credit/Reimbursement			After Credit/Reimbursement	
Ending Net Assets Applicable to Common Shares (000)	Ratio of Expenses to Average Net Assets Applicable to Common Shares++	Ratio of Net Investment Income to Average Net Assets Applicable to Common Shares++	Ratio of Expenses to Average Net Assets Applicable to Common Shares++	Ratio of Investment Income to Average Net Assets Applicable to Common Shares++	
Year Ended 12/31:					
2004 (b)	\$631,979	1.34%	4.13%	.94%	
2003 (c)	522,576	2.31*	4.07*	1.91*	
Year Ended 10/31:					
2003	486,814	2.51	5.17	2.09	
2002 (d)	381,290	2.12*	6.71*	1.72*	

Cumulative Taxable Auctioned Preferred at End of Period			
	Aggregate Amount Outstanding (000)	Liquidation and Market Value Per Share	Asset Coverage Per Share
Year Ended 12/31:			
2004 (b)	\$172,000	\$25,000	\$116,857
2003 (c)	172,000	25,000	100,956
Year Ended 10/31:			
2003	172,000	25,000	95,758
2002 (d)	172,000	25,000	80,420

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- =====  
(a) Per share Net Investment Income is calculated using the average daily shares method.
- (b) As discussed in the accompanying notes to financial statements, the Fund changed its method of presentation for net interest expense on interest rate swap transactions. The effect of this reclassification was to increase Net Investment Income by \$0.15 per share with a corresponding decrease in Net Realized/Unrealized Investment Gain (Loss), a decrease in each of the Ratios of Expenses to Average Net Assets Applicable to Common Shares by 0.77% with a corresponding increase in each of the Ratios of Net Investment Income to Average Net Assets Applicable to Common Shares.
- (c) For the period November 1, 2003 through December 31, 2003.
- (d) For the period November 15, 2001 (commencement of operations) through October 31, 2002.
- \* Annualized.
- \*\* Total Investment Return on Market Value is the combination of changes in the market price per share and the effect of reinvested dividend income and reinvested capital gains distributions, if any, at the average price paid per share at the time of reinvestment. Total Return on Common Share Net Asset Value is the combination of changes in Common Share net asset value, reinvested dividend income at net asset value and reinvested capital gains distributions at net asset value, if any. Total returns are not annualized.
- \*\*\* After custodian fee credit and expense reimbursement, where applicable.
- + The amounts shown are based on Common share equivalents.
- ++ o Ratios do not reflect the effect of dividend payments to Taxable Auctioned Preferred shareholders.
- o Income ratios reflect income earned on assets attributable to Taxable Auctioned Preferred shares.
- o For periods ended prior to December 31, 2004, each Ratio of Expenses to Average Net Assets Applicable to Common Shares and each Ratio of Net Investment Income to Average Net Assets Applicable to Common Shares included the effect of the net interest expense incurred on interest rate swap transactions as follows:
- |                   |      |
|-------------------|------|
| Year Ended 12/31: |      |
| 2003(c)           | .91* |
| Year Ended 10/31: |      |
| 2003              | 1.03 |
| 2002(d)           | .68* |

See accompanying notes to financial statements.

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## Board Members AND OFFICERS

The management of the Funds, including general supervision of the duties performed for the Funds by the Adviser, is the responsibility of the Board Members of the Funds. The number of board members of the Funds is currently set at eight. None of the board members who are not "interested" persons of the Funds has ever been a director or employee of, or consultant to, Nuveen or its affiliates. The names and business addresses of the board members and officers of the Funds, their principal occupations and other affiliations during the past five years, the number of portfolios each oversees and other directorships they hold are set forth below.

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NAME, BIRTHDATE AND ADDRESS	POSITION(S) HELD WITH THE FUNDS	YEAR FIRST ELECTED OR APPOINTED (2)	PRINCIPAL OCCUPATION(S) INCLUDING OTHER DIRECTORSHIPS DURING PAST 5 YEARS
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BOARD MEMBER WHO IS AN INTERESTED PERSON OF THE FUNDS:  
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Timothy R. Schwertfeger (1) 3/28/49 333 W. Wacker Drive Chicago, IL 60606	Chairman of the Board and Trustee	1994	Chairman and Director (since 1996) of N Inc. and Nuveen Investments, LLC; Direc Chairman (since 1996) of Nuveen Advisor Institutional Advisory Corp. (3); Chair 1997) of Nuveen Asset Management; Direc of Institutional Capital Corporation; C (since 1999) of Rittenhouse Asset Manag Chairman of Nuveen Investments Advisers
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BOARD MEMBERS WHO ARE NOT INTERESTED PERSONS OF THE FUNDS:  
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Robert P. Bremner 8/22/40 333 W. Wacker Drive Chicago, IL 60606	Board member	1997	Private Investor and Management Consult
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Lawrence H. Brown 7/29/34 333 W. Wacker Drive Chicago, IL 60606	Board member	1993	Retired (1989) as Senior Vice President Trust Company; Director, Community Advi Highland Park and Highwood, United Way Shore (since 2002).
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Jack B. Evans 10/22/48 333 W. Wacker Drive Chicago, IL 60606	Board member	1999	President, The Hall-Perrine Foundation, corporation (since 1996); Director and Fire Group, a publicly held company; Ad University of Iowa; Director, Gazette C of Coe College; Director, Iowa College Director, Federal Reserve Bank of Chica and Chief Operating Officer, SCI Financ financial services firm.
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William C. Hunter 3/6/48 333 W. Wacker Drive Chicago, IL 60606	Board member	2004	Dean and Distinguished Professor of Fin Business at the University of Connectic previously Senior Vice President and Di at the Federal Reserve Bank of Chicago Director, Credit Research Center at Geo Director of Xerox Corporation (since 20
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NAME, BIRTHDATE AND ADDRESS	POSITION(S) HELD WITH THE FUNDS	YEAR FIRST ELECTED OR APPOINTED (2)	PRINCIPAL OCCUPATION(S) INCLUDING OTHER DIRECTORSHIPS DURING PAST 5 YEARS
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BOARD MEMBERS WHO ARE NOT INTERESTED PERSONS OF THE FUNDS (CONTINUED):  
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William J. Schneider 9/24/44 333 W. Wacker Drive Chicago, IL 60606	Board member	1997	Chairman, formerly, Senior Partner and Officer, Miller-Valentine Partners Ltd. investment company; formerly, Vice Pres Realty, a construction company; Director Committee and Member of the Audit Commi Health Partners, the not-for-profit par Valley Hospital; President of the Dayto Association; Director and Immediate Pas Development Coalition; formerly, Member Advisory Board, National City Bank, Day Business Advisory Council, Cleveland Fe
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Judith M. Stockdale 12/29/47 333 W. Wacker Drive Chicago, IL 60606	Board member	1997	Executive Director, Gaylord and Dorothy Foundation (since 1994); prior thereto, Great Lakes Protection Fund (from 1990
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Eugene S. Sunshine 1/22/50 333 W. Wacker Drive Chicago, IL 60606	Board member	2005	Senior Vice President for Business and Northwestern University; Director (sinc Board of Options Exchange; Director (si Mentor Holdings, a privately-held, nati and community-based services; Chairman of Directors, Rubicon, an insurance com Northwestern University; Director (sinc of Commerce and Evanston Inventure, a b organization.
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NAME, BIRTHDATE AND ADDRESS	POSITION(S) HELD WITH THE FUNDS	YEAR FIRST ELECTED OR APPOINTED (4)	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS
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OFFICERS OF THE FUNDS:

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Gifford R. Zimmerman 9/9/56 333 W. Wacker Drive Chicago, IL 60606	Chief Administrative Officer	1988	Managing Director (since 2002), Assista Associate General Counsel, formerly, Vi Assistant General Counsel of Nuveen Inv Managing Director (since 2002), General Assistant Secretary, formerly, Vice Pre Advisory Corp. and Nuveen Institutional Managing Director (since 2002), Assista and Associate General Counsel, formerly (since 2000), of Nuveen Asset Managemen Director (since 2004) and Assistant Sec 1994) of Nuveen Investments, Inc.; Assi of NWQ Investment Management Company, L Vice President and Assistant Secretary Investments Advisers Inc. (since 2002); Director, Associate General Counsel and Secretary of Rittenhouse Asset Managem (since 2003); Chartered Financial Analy
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Board Members  
AND OFFICERS (CONTINUED)

NAME, BIRTHDATE AND ADDRESS	POSITION(S) HELD WITH THE FUNDS	YEAR FIRST ELECTED OR APPOINTED (3)	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS
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OFFICERS OF THE FUNDS (CONTINUED):			
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Julia L. Antonatos 9/22/63 333 W. Wacker Drive Chicago, IL 60606	Vice President	2004	Managing Director (since 2005), previous (since 2002), formerly, Assistant Vice of Nuveen Investments, LLC; Chartered F
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Michael T. Atkinson 2/3/66 333 W. Wacker Drive Chicago, IL 60606	Vice President and Assistant Secretary	2000	Vice President (since 2002), formerly, President (since 2000), previously, Ass Investments, LLC.
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Peter H. D'Arrigo 11/28/67 333 W. Wacker Drive Chicago, IL 60606	Vice President and Treasurer	1999	Vice President of Nuveen Investments, L prior thereto, Assistant Vice President President and Treasurer of Nuveen Inves 1999); Vice President and Treasurer of and Nuveen Institutional Advisory Corp President and Treasurer of Nuveen Asset (since 2002) and of Nuveen Investments 2002); Assistant Treasurer of NWQ Inves Company, LLC (since 2002); Vice Preside Nuveen Rittenhouse Asset Management, In Chartered Financial Analyst.
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Jessica R. Droeger 9/24/64 333 W. Wacker Drive Chicago, IL 60606	Vice President and Secretary	2000	Vice President (since 2002) and Assista (since 1998), formerly, Assistant Vice Nuveen Investments, LLC; Vice President and Assistant Secretary (since 1998), f Vice President of Nuveen Advisory Corp. Institutional Advisory Corp. (3); Vice Secretary (since 2002) of Nuveen Asset
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Lorna C. Ferguson 10/24/45 333 W. Wacker Drive Chicago, IL 60606	Vice President	1998	Managing Director (since 2004) formerly Nuveen Investments, LLC; Managing Direc formerly, Vice President (since 1998) o and Nuveen Institutional Advisory Corp. (since 2005) of Nuveen Asset Management
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William M. Fitzgerald 3/2/64 333 W. Wacker Drive Chicago, IL 60606	Vice President	1995	Managing Director (since 2002) of Nuvee LLC; Managing Director (since 2001), fo of Nuveen Advisory Corp. and Nuveen Ins Corp. (since 1995) (3); Managing Direct Management (3) (since 2001); Vice Presi Investment Advisers Inc. (since 2002);

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Analyst.

Stephen D. Foy 5/31/54 333 W. Wacker Drive Chicago, IL 60606	Vice President and Controller	1998	Vice President (since 1993) and Funds Controller of Nuveen Investments, LLC and, formerly Funds Controller (since 1998) of Nuveen Certified Public Accountant.
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NAME, BIRTHDATE AND ADDRESS	POSITION(S) HELD WITH THE FUNDS	YEAR FIRST ELECTED OR APPOINTED (3)	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS
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OFFICERS OF THE FUNDS (CONTINUED):

David J. Lamb 3/22/63 333 W. Wacker Drive Chicago, IL 60606	Vice President	2000	Vice President (since 2000) of Nuveen Investments, LLC, previously Assistant Vice President prior thereto, Associate of Nuveen Investments, LLC Certified Public Accountant.
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Tina M. Lazar 8/27/61 333 W. Wacker Drive Chicago, IL 60606	Vice President	2002	Vice President (since 1999), previously Assistant Vice President (since 1993) of Nuveen Investments, LLC
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Larry W. Martin 7/27/51 333 W. Wacker Drive Chicago, IL 60606	Vice President and Assistant Secretary	1988	Vice President, Assistant Secretary and Counsel of Nuveen Investments, LLC; Vice Assistant Secretary of Nuveen Advisory Institutional Advisory Corp. (3); Assistant Secretary of Nuveen Investments, Inc. and (since 1997) Nuveen Investments, Inc. Vice President (since 2000), Assistant General Counsel (since 1998) of Rittenberg Management, Inc.; Vice President and Assistant Secretary of Nuveen Investments Advisory Corp. (since 2002); Assistant Secretary of Nuveen Investments Advisory Corp. (since 2002); Assistant Secretary of Nuveen Investments Advisory Corp. (since 2002); Assistant Secretary of Nuveen Management Company, LLC (since 2002).
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- (1) Mr. Schwertfeger is an "interested person" of the Funds, as defined in the Investment Company Act of 1940, because he is an officer and board member of the Adviser.
- (2) Board members serve an indefinite term until his/her successor is elected. The year first elected or appointed represents the year in which the board member was first elected or appointed to any fund in the Nuveen Complex.
- (3) Nuveen Advisory Corp. and Nuveen Institutional Advisory Corp. were reorganized into Nuveen Asset Management, effective January 1, 2005.
- (4) Officers serve one year terms through July of each year. The year first elected or appointed represents the year in which the Officer was first elected or appointed to any fund in the Nuveen Complex.

Reinvest Automatically  
EASILY AND CONVENIENTLY

Sidebar text: NUVEEN MAKES REINVESTING EASY. A PHONE CALL IS ALL IT TAKES TO SET UP YOUR REINVESTMENT ACCOUNT.

NUVEEN CLOSED-END EXCHANGE-TRADED FUNDS  
DIVIDEND REINVESTMENT PLAN

Your Nuveen Closed-End Exchange-Traded Fund allows you to conveniently reinvest dividends and/or capital gains distributions in additional fund shares.

By choosing to reinvest, you'll be able to invest money regularly and automatically, and watch your investment grow through the power of compounding.

It is important to note that an automatic reinvestment plan does not ensure a profit, nor does it protect you against loss in a declining market.

EASY AND CONVENIENT

To make recordkeeping easy and convenient, each month you'll receive a statement showing your total dividends and distributions, the date of investment, the shares acquired and the price per share, and the total number of shares you own.

HOW SHARES ARE PURCHASED

The shares you acquire by reinvesting will either be purchased on the open market or newly issued by the Fund. If the shares are trading at or above net asset value at the time of valuation, the Fund will issue new shares at the greater of the net asset value or 95% of the then-current market price. If the shares are trading at less than net asset value, shares for your account will be purchased on the open market. Dividends and distributions received to purchase shares in the open market will normally be invested shortly after the dividend payment date. No interest will be paid on dividends and distributions awaiting reinvestment. Because the market price of the shares may increase before purchases are completed, the average purchase price per share may exceed the market price at the time of valuation, resulting in the acquisition of fewer shares than if the dividend or distribution had been paid in shares issued by the Fund. A pro rata portion of any applicable brokerage commissions on open market purchases will be paid by Plan participants. These commissions usually will be lower than those charged on individual transactions.

FLEXIBLE

You may change your distribution option or withdraw from the Plan at any time, should your needs or situation change. Should you withdraw, you can receive a certificate for all whole shares credited to your reinvestment account and cash payment for fractional shares, or cash payment for all reinvestment account shares, less brokerage commissions and a \$2.50 service fee.

You can reinvest whether your shares are registered in your name, or in the name of a brokerage firm, bank, or other nominee. Ask your investment advisor if his or her firm will participate on your behalf. Participants whose shares are registered in the name of one firm may not be able to transfer the shares to another firm and continue to participate in the Plan.

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The Fund reserves the right to amend or terminate the Plan at any time. Although the Fund reserves the right to amend the Plan to include a service charge payable by the participants, there is no direct service charge to participants in the Plan at this time.

### CALL TODAY TO START REINVESTING DIVIDENDS AND/OR DISTRIBUTIONS

For more information on the Nuveen Automatic Reinvestment Plan or to enroll in or withdraw from the Plan, speak with your financial advisor or call us at (800) 257-8787.

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### Other Useful INFORMATION

Effective Jan. 1, 2005, the asset management services and operations of Nuveen Advisory Corp. (NAC) and Nuveen Institutional Advisory Corp (NIAC) became part of Nuveen Asset Management (NAM). This internal consolidation is intended to simplify the delivery of services to the investment management clients of Nuveen Investments. It does not affect the investment objectives or portfolio management of any Fund.

### QUARTERLY PORTFOLIO OF INVESTMENTS AND PROXY VOTING INFORMATION

The Fund's (i) quarterly portfolio of investments, (ii) information regarding how the Funds voted proxies relating to portfolio securities held during the most recent 12-month period ended June 30, 2004, and (iii) a description of the policies and procedures that the Fund used to determine how to vote proxies relating to portfolio securities are available without charge, upon request, by calling Nuveen Investments toll-free at (800) 257-8787 or on Nuveen's website at [www.nuveen.com](http://www.nuveen.com).

You may also obtain this and other Fund information directly from the Securities and Exchange Commission ("SEC"). The SEC may charge a copying fee for this information. Visit the SEC on-line at <http://www.sec.gov> or in person at the SEC's Public Reference Room in Washington, D.C. Call the SEC at 1-202-942-8090 for room hours and operation. You may also request Fund information by sending an e-mail request to [publicinfo@sec.gov](mailto:publicinfo@sec.gov) or by writing to the SEC's Public Reference Section at 450 Fifth Street NW, Washington, D.C. 20549.

### GLOSSARY OF TERMS USED IN THIS REPORT

**AVERAGE ANNUAL TOTAL RETURN:** This is a commonly used method to express an investment's performance over a particular, usually multi-year time period. It expresses the return that would have been necessary each year to equal the investment's actual cumulative performance (including change in NAV or market price and reinvested dividends and capital gains distributions, if any) over the time period being considered.

**MARKET YIELD (ALSO KNOWN AS DISTRIBUTION YIELD OR CURRENT YIELD):** Market yield is based on the Fund's current annualized monthly distribution divided by the Fund's current market price. REIT distributions received by the Fund are generally comprised of investment income, long-term and short-term capital gains and a REIT return of capital. The Fund's monthly distributions to its shareholders may be comprised of ordinary income, net realized capital gains

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and, if at the end of the calendar year the Fund's cumulative net ordinary income and net realized gains are less than the amount of the Fund's distributions, a tax return of capital.

NET ASSET VALUE (NAV): A Fund's common share NAV per share is calculated by subtracting the liabilities of the Fund (including any MuniPreferred shares issued in order to leverage the Fund) from its total assets and then dividing the remainder by the number of shares outstanding. Fund NAVs are calculated at the end of each business day.

### BOARD OF TRUSTEES

Robert P. Bremner  
Lawrence H. Brown  
Jack B. Evans  
William C. Hunter  
David J. Kundert  
William J. Schneider  
Timothy R. Schwertfeger  
Judith M. Stockdale  
Eugene S. Sunshine

### FUND MANAGER

Nuveen Asset Management  
333 West Wacker Drive  
Chicago, IL 60606

### CUSTODIAN

State Street Bank & Trust  
Boston, MA

### TRANSFER AGENT AND SHAREHOLDER SERVICES

State Street Bank & Trust  
Nuveen Funds  
P.O. Box 43071  
Providence, RI 02940-3071

(800) 257-8787

### LEGAL COUNSEL

Chapman and Cutler LLP  
Chicago, IL

### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP  
Chicago, IL

The Fund intends to repurchase shares of its own common or preferred stock in the future at such times and in such amounts as is deemed advisable. No shares were repurchased during the period covered by this report. Any future repurchases will be reported to shareholders in the next annual or semiannual report.

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For GENERATIONS

Photo of: 2 women looking at a photo album.

Since 1898, financial advisors and their clients have relied on Nuveen Investments to provide dependable investment solutions. For the past century, Nuveen Investments has adhered to the belief that the best approach to investing is to apply conservative risk-management principles to help minimize volatility.

Building on this tradition, we today offer a range of high quality equity and fixed-income solutions that are integral to a well-diversified core portfolio. Our clients have come to appreciate this diversity, as well as our continued adherence to proven, long-term investing principles.

WE OFFER MANY DIFFERENT INVESTING SOLUTIONS FOR OUR CLIENTS' DIFFERENT NEEDS.

Managing more than \$115 billion in assets, Nuveen Investments offers access to a number of different asset classes and investing solutions through a variety of products. Nuveen Investments markets its capabilities under four distinct brands: Nuveen, a leader in fixed-income investments; NWQ, a leader in value-style equities; Rittenhouse, a leader in growth-style equities; and Symphony, a leading institutional manager of market-neutral alternative investment portfolios.

FIND OUT HOW WE CAN HELP YOU REACH YOUR FINANCIAL GOALS.

To learn more about the products and services Nuveen Investments offers, talk to your financial advisor, or call us at (800) 257-8787. Please read the information provided carefully before you invest.

Be sure to obtain a prospectus, where applicable. Investors should consider the investment objective and policies, risk considerations, charges and expenses of the Fund carefully before investing. The prospectus contains this and other information relevant to an investment in the Fund. For a prospectus, please contact your securities representative or Nuveen Investments, 333 W. Wacker Dr., Chicago, IL 60606. Please read the prospectus carefully before you invest or send money.

Learn more  
about Nuveen Funds at  
[WWW.NUVEEN.COM/ETF](http://WWW.NUVEEN.COM/ETF)

- o Share prices
- o Fund details
- o Daily financial news
- o Investor education
- o Interactive planning tools

Logo: NUVEEN Investments

EAN-A-1204D

ITEM 2. CODE OF ETHICS.

As of the end of the period covered by this report, the registrant has adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. There were no amendments to or waivers from the Code during the period covered by this report. The registrant has

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posted the code of ethics on its website at [www.nuveen.com/etf](http://www.nuveen.com/etf). (To view the code, click on the Investor Resources drop down menu box, click on Fund Governance and then click on Code of Conduct.)

### ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

The registrant's Board of Directors or Trustees determined that the registrant has at least one "audit committee financial expert" (as defined in Item 3 of Form N-CSR) serving on its Audit Committee. The registrant's audit committee financial expert is Jack B. Evans, Chairman of the Audit Committee, who is "independent" for purposes of Item 3 of Form N-CSR. Mr. Evans has served as the registrant's audit committee financial expert from July 26, 2004 to the end of the reporting period on December 31, 2004.

Prior to July 26, 2004, William E. Bennett, who was "independent" for purposes of Item 3 of Form N-CSR, served as the audit committee financial expert. Mr. Bennett unexpectedly resigned from the Board effective April 30, 2004. Accordingly for this reporting period, the registrant did not have a designated "audit committee financial expert" from July 1, 2004 to July 26, 2004.

Mr. Evans was formerly President and Chief Operating Officer of SCI Financial Group, Inc., a full service registered broker-dealer and registered investment adviser ("SCI"). As part of his role as President and Chief Operating Officer, Mr. Evans actively supervised the Chief Financial Officer (the "CFO") and actively supervised the CFO's preparation of financial statements and other filings with various regulatory authorities. In such capacity, Mr. Evans was actively involved in the preparation of SCI's financial statements and the resolution of issues raised in connection therewith. Mr. Evans has also served on the audit committee of various reporting companies. At such companies, Mr. Evans was involved in the oversight of audits, audit plans, and the preparation of financial statements. Mr. Evans also formerly chaired the audit committee of the Federal Reserve Bank of Chicago.

Mr. Bennett was formerly Executive Vice President and Chief Credit Officer of First Chicago Corporation and its principal subsidiary, The First National Bank of Chicago. As part of his role as Chief Credit Officer, Mr. Bennett set policy as to accrual of assets/loans; designated performing/non-performing assets; set the level of reserves against the credit portfolio; and determined the carrying value of credit related assets and exposure. Among other things, Mr. Bennett was also responsible for the oversight of the internal analysis function including setting ground rules for the review and preparation of financial analysis and financial statements for use in making credit and risk decisions for clients. Mr. Bennett has significant experience reviewing, analyzing and evaluating financial statements of domestic and international companies in a variety of industries with complex accounting issues.

### ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

#### Nuveen Real Estate Income Fund

The following tables show the amount of fees that Ernst & Young LLP, the Fund's auditor, billed to the Fund during the Fund's last two full fiscal years. For engagements with Ernst & Young LLP entered into on or after May 6, 2003, the Audit Committee approved in advance all audit services and non-audit services that Ernst & Young LLP provided to the Fund, except for those non-audit services that were subject to the pre-approval exception under Rule 2-01 of Regulation S-X (the "pre-approval exception"). The pre-approval exception for services provided directly to the Fund waives the pre-approval requirement for services other than audit, review or attest services if: (A) the aggregate amount of all such services provided constitutes no more than 5% of the total amount of revenues paid by the Fund to its accountant during the fiscal year in which the

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services are provided; (B) the Fund did not recognize the services as non-audit services at the time of the engagement; and (C) the services are promptly brought to the Audit Committee's attention, and the Committee (or its delegate) approves the services before the audit is completed.

The Audit Committee has delegated certain pre-approval responsibilities to its Chairman (or, in his absence, any other member of the Audit Committee).

### SERVICES THAT THE FUND'S AUDITOR BILLED TO THE FUND

FISCAL YEAR ENDED	AUDIT FEES BILLED TO FUND	AUDIT-RELATED FEES BILLED TO FUND	TAX BILLED
December 31, 2004	\$ 18,000	\$ 0	\$ 3,
Percentage approved pursuant to pre-approval exception	N/A	0%	
December 31, 2003 *	\$ 6,300	\$ 0	
Percentage approved pursuant to pre-approval exception	N/A	0%	
October 31, 2003	\$ 15,677	\$ 0	\$ 10,
Percentage approved pursuant to pre-approval exception	N/A	0%	

\*Nuveen Real Estate Income Fund changed its fiscal year end from October 31 to December 31, therefore, these numbers represent the period 11/1/03 - 12/31/03.

The above "All Other Fees" are fees paid to audit firms to perform agreed upon procedures required by the rating agencies to rate fund preferred shares. The above "Tax Fees" were billed for professional services for tax advice, tax compliance and tax planning.

### SERVICES THAT THE FUND'S AUDITOR BILLED TO THE ADVISER AND AFFILIATED FUND SERVICE PROVIDERS

The following tables show the amount of fees billed by Ernst & Young LLP to Nuveen Institutional Advisory Corp. ("NIAC" or the "Adviser"), and any entity controlling, controlled by or under common control with NIAC ("Control Affiliate") that provides ongoing services to the Fund ("Affiliated Fund Service Provider"), for engagements directly related to the Fund's operations and financial reporting, during the Fund's last two full fiscal years.

The table also shows the percentage of fees subject to the pre-approval exception. The pre-approval exception for services provided to the Adviser and any Affiliated Fund Service Provider (other than audit, review or attest services) waives the pre-approval requirement if: (A) the aggregate amount of all such services provided constitutes no more than 5% of the total amount of



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revenues paid to Ernst & Young LLP by the Fund, the Adviser and Affiliated Fund Service Providers during the fiscal year in which the services are provided that would have to be pre-approved by the Audit Committee; (B) the Fund did not recognize the services as non-audit services at the time of the engagement; and (C) the services are promptly brought to the Audit Committee's attention, and the Committee (or its delegate) approves the services before the Fund's audit is completed.

FISCAL YEAR ENDED	AUDIT-RELATED FEES BILLED TO ADVISER AND AFFILIATED FUND SERVICE PROVIDERS	TAX FEES BILLED ADVISER AND AFFILIATED FUND SERVICE PROVIDERS
December 31, 2004	\$ 0	\$ 0
Percentage approved pursuant to pre-approval exception	0%	0%
December 31, 2003 *	\$ 0	\$ 0
Percentage approved pursuant to pre-approval exception	N/A	N/A
October 31, 2003	\$ 0	\$ 0
Percentage approved pursuant to pre-approval exception	N/A	N/A

\*Nuveen Real Estate Income Fund changed its fiscal year end from October 31 to December 31, therefore, these numbers represent the period 11/1/03 - 12/31/03.

### NON-AUDIT SERVICES

The following table shows the amount of fees that Ernst & Young LLP billed during the Fund's last two full fiscal years for non-audit services. For engagements entered into on or after May 6, 2003, the Audit Committee is required to pre-approve non-audit services that Ernst & Young LLP provides to the Adviser and any Affiliated Fund Services Provider, if the engagement related directly to the Fund's operations and financial reporting (except for those subject to the de minimis exception described above). The Audit Committee requested and received information from Ernst & Young LLP about any non-audit services that Ernst & Young LLP rendered during the Fund's last fiscal year to the Adviser and any Affiliated Fund Service Provider. The Committee considered this information in evaluating Ernst & Young LLP's independence.

FISCAL YEAR ENDED	TOTAL NON-AUDIT FEES BILLED TO ADVISER AND AFFILIATED FUND SERVICE PROVIDERS (ENGAGEMENTS RELATED DIRECTLY TO THE OPERATIONS AND FINANCIAL	TOTAL BIL AFFI PRO
TOTAL NON-AUDIT FEES		

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	BILLED TO FUND	REPORTING OF THE FUND)
December 31, 2004	\$ 7,350	\$ 0
December 31, 2003 *	\$ 850	\$ 0
October 31, 2003	\$ 13,420	\$ 0

\*Nuveen Real Estate Income Fund changed its fiscal year end from October 31 to December 31, therefore, these numbers represent the period 11/1/03 - 12/31/03.

Audit Committee Pre-Approval Policies and Procedures. Generally, the audit committee must approve (i) all non-audit services to be performed for the Fund by the Fund's independent accountants and (ii) all audit and non-audit services to be performed by the Fund's independent accountants for the Affiliated Fund Service Providers with respect to operations and financial reporting of the Fund. Regarding tax and research projects conducted by the independent accountants for the Fund and Affiliated Fund Service Providers (with respect to operations and financial reports of the Fund) such engagements will be (i) pre-approved by the audit committee if they are expected to be for amounts greater than \$10,000; (ii) reported to the audit committee chairman for his verbal approval prior to engagement if they are expected to be for amounts under \$10,000 but greater than \$5,000; and (iii) reported to the audit committee at the next audit committee meeting if they are expected to be for an amount under \$5,000.

#### ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

The registrant's Board of Directors or Trustees has a separately designated audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (15 U.S.C. 78c(a)(58)(A)). The members of the audit committee are Robert P. Bremner, Lawrence H. Brown, Jack B. Evans and William J. Schneider.

#### ITEM 6. SCHEDULE OF INVESTMENTS.

See Schedule I in Item 1.

#### ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

In the rare event that a municipal issuer held by the Fund were to issue a proxy or that the Fund were to receive a proxy issued by a cash management security, the Adviser would either engage an independent third party to determine how the proxy should be voted or vote the proxy with the consent, or based on the instructions, of the Fund's Board of Directors or Trustees or its representative. In the case of a conflict of interest, the proxy would be submitted to the applicable Fund's Board to determine how the proxy should be voted. A member of the Adviser's legal department would oversee the administration of the voting, and ensure that records were maintained in accordance with Rule 204-2(c)(2) under the Investment Advisers Act of 1940 (17 CFR 275.204-2(c)(2)), reports were filed with the SEC on Form N-PX, and the results were provided to the Board of Directors or Trustees and made available to shareholders as required by applicable rules.

#### ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable at this time.

#### ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

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Not applicable.

### ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

In the event of a vacancy on the Board, the nominating and governance committee receives suggestions from various sources, including shareholders, as to suitable candidates. Suggestions should be sent in writing to Lorna Ferguson, Vice President for Board Relations, Nuveen Investments, 333 West Wacker Drive, Chicago, IL 60606. The nominating and governance committee sets appropriate standards and requirements for nominations for new directors or trustees and reserves the right to interview all candidates and to make the final selection of any new directors or trustees.

### ITEM 11. CONTROLS AND PROCEDURES.

- (a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (17 CFR 240.13a-15(b) or 240.15d-15(b)).
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d))) that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

### ITEM 12. EXHIBITS.

File the exhibits listed below as part of this Form. Letter or number the exhibits in the sequence indicated.

(a)(1) Any code of ethics, or amendment thereto, that is the subject of the disclosure required by Item 2, to the extent that the registrant intends to satisfy the Item 2 requirements through filing of an exhibit: Not applicable because the code is posted on registrant's website at [www.nuveen.com/etf](http://www.nuveen.com/etf). and there were no amendments during the period covered by this report (To view the code, click on the Investor Resources drop down menu box, click on Fund Governance and then Code of Conduct.).

(a)(2) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the 1940 Act (17 CFR 270.30a-2(a)) in the exact form set forth below: Ex-99.CERT Attached hereto.

(a)(3) Any written solicitation to purchase securities under Rule 23c-1 under the 1940 Act (17 CFR 270.23c-1) sent or given during the period covered by the report by or on behalf of the registrant to 10 or more persons. Not applicable.

(b) If the report is filed under Section 13(a) or 15(d) of the Exchange Act, provide the certifications required by Rule 30a-2(b) under the 1940 Act (17 CFR 270.30a-2(b)); Rule 13a-14(b) or Rule 15d-14(b) under the Exchange Act (17 CFR 240.13a-14(b) or 240.15d-14(b)), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350) as an exhibit. A certification furnished pursuant to this paragraph will not be deemed "filed" for purposes of Section 18

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of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference. Ex-99.906 CERT attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) Nuveen Real Estate Income Fund  
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By (Signature and Title)\* /s/ Jessica R. Droeger  
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Jessica R. Droeger  
Vice President and Secretary

Date: March 9, 2005  
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Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)\* /s/ Gifford R. Zimmerman  
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Gifford R. Zimmerman  
Chief Administrative Officer  
(principal executive officer)

Date: March 9, 2005  
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By (Signature and Title)\* /s/ Stephen D. Foy  
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Stephen D. Foy  
Vice President and Controller  
(principal financial officer)

Date: March 9, 2005  
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\* Print the name and title of each signing officer under his or her signature.